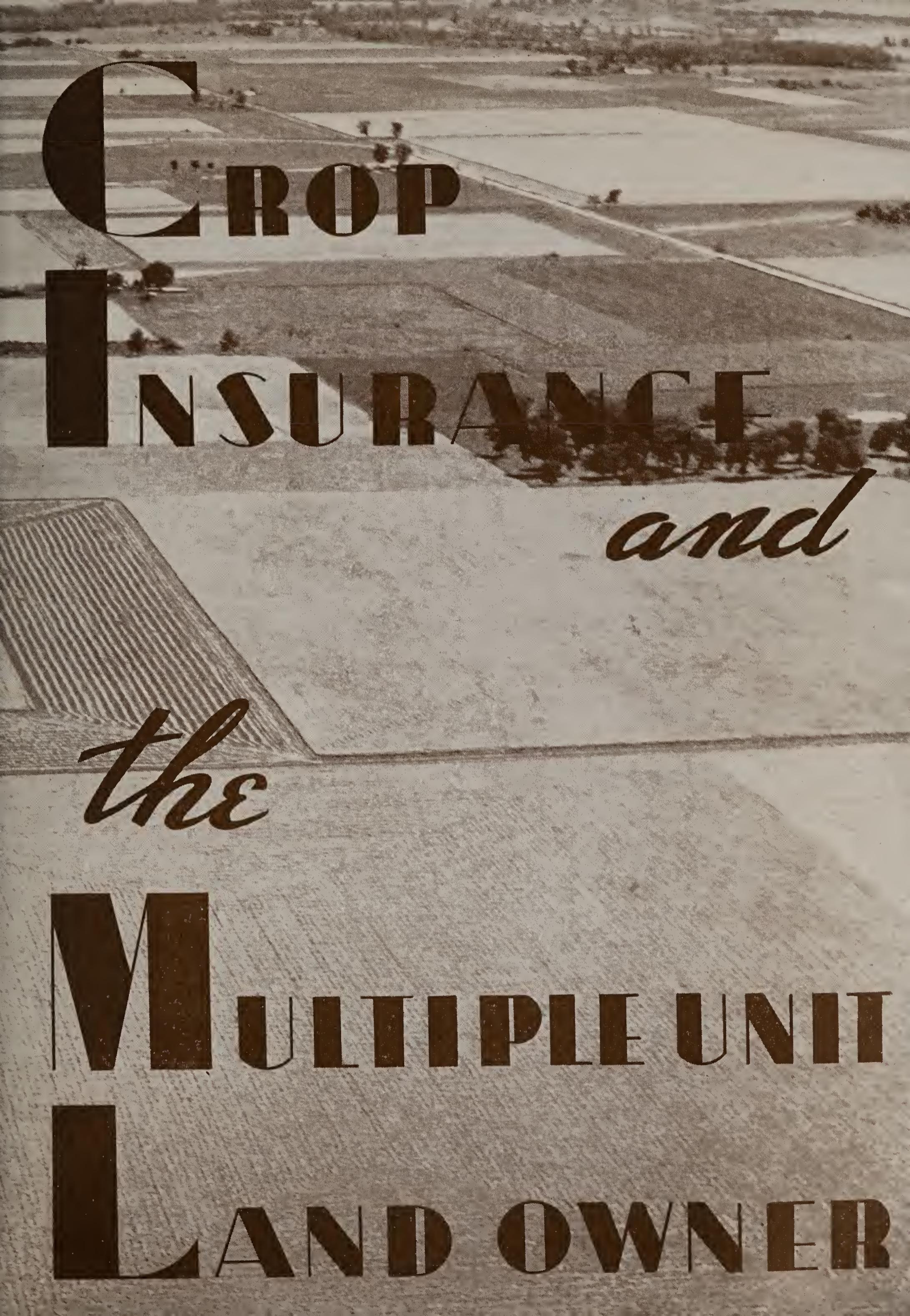


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**GROUP
INSURANCE
and
the
MULTI-UNIT
LAND OWNER**



Crop Insurance and the Multiple Unit Land Owner.

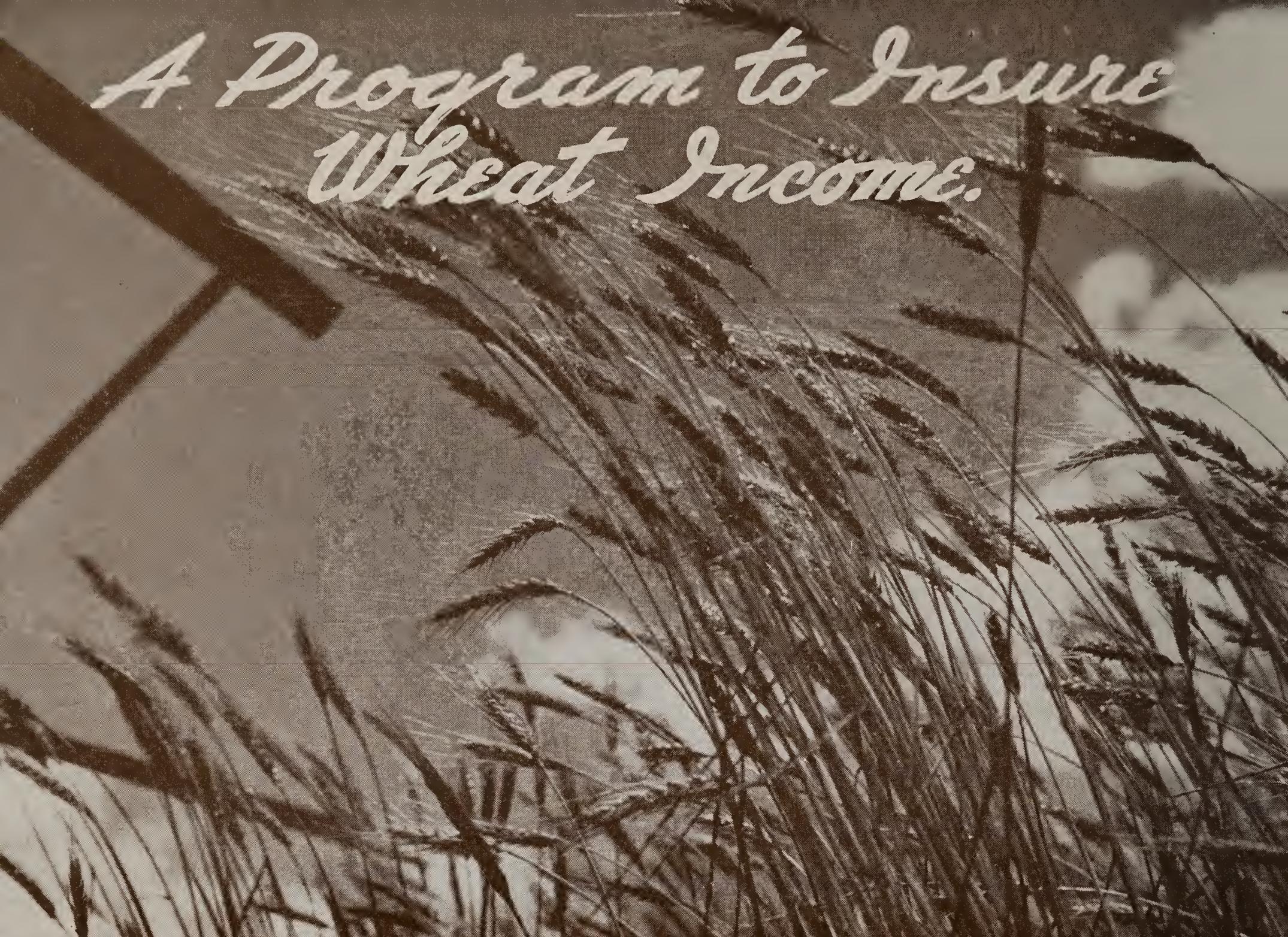
LARGE-SCALE landlords—banks, mortgage companies, life insurance companies, and multiple landowners—are constantly confronted with a number of puzzling problems in working out the best method of handling their lands.

Some of these problems are:

1. Development of long-time mutually beneficial leases with tenants.
2. Promoting approved farming practices to prevent deterioration of lands, and to rehabilitate "distressed farms."
3. Prevention of delinquencies on the part of tenants and purchasers, and consequent "turnovers."
4. Reduction of expense of administration.
5. Widening the field of potential purchasers; turning tenants and others with small capital into successful owners of lands.
6. Establishing equitable land values, based upon assured earning power over a period of years.

Many large-scale landlords are finding that the Wheat Crop Insurance Program coupled with the Agricultural Conservation Program is making a real contribution to a solution of these and other problems incidental to the operation of their lands—because most of these problems can be solved, in part at least, by Guaranteed Yields.

A Program to Insure Wheat Income.



A SIMPLE, PRACTICAL PROGRAM

Crop insurance assures wheat growers (landlords, as well as tenants, and other operators) that they will receive at least 50 or 75 percent of a normal crop every year. It is a simple and practical program based on sound actuarial methods of insurance, just like those which have long served other lines of business and industry. The essentials of the plan are as follows:

PROTECTION

Wheat crop insurance is "all risk." It guarantees the grower against loss of the crop from all unavoidable hazards including drought, hail, wind, frost, winterkill, fire, disease, insect and animal pests.

The guaranteed yield is either 50 or 75 percent of the average yield of each individual farm insured. This average yield is determined from the actual average yield or an appraisal of the yield for the farm for a representative base period.

COST

Premiums for wheat crop insurance are based on the actual or appraised loss experience of the farm for the base period. This "loss cost" is blended with the loss experience of the county in which the farm is located to smooth out the effect of any accidental losses which may have occurred to the farm during this base period, or, conversely, to reflect any general losses which this particular farm may have been spared in the base period. The "loss cost" then is the amount of wheat which would have, over a period of years, amortized the total indemnities that would have been paid under either the 50 or the 75 percent guaranteed yield.

INDEMNITIES

In case an insured producer's yield falls below the insured yield, the crop insurance contract insures that indemnities will be paid to bring the production up to the insured amount. For instance, if the crop is insured for 12 bushels an acre, but the actual yield is only 8, the Corporation would indemnify the insured to the extent of 4 bushels an acre.

RESERVES

Premiums paid in by producers are invested in an insurance reserve held by the Corporation in the form of actual wheat in storage. Indemnities are paid from the wheat reserves. In addition to the wheat reserves the Corporation also has a capital stock of \$100,000,000 of which \$20,000,000 is available during any 1 year. This capital supplements the wheat reserve. In case indemnities exceed the amount of the wheat reserve in any 1 year, wheat may be purchased with the capital stock to meet the indemnity payments.

"ALL WHEAT" PROGRAM

An unusual and important feature of the crop insurance plan is that all operations are carried out in terms of actual bushels of wheat. Insurable



*Reserves Carried in Actual
Wheat in Storage.*

yields are calculated in terms of wheat. Premium payments are also stated in terms of wheat. Growers may pay in wheat with a warehouse receipt representing wheat in storage, or in the cash equivalent of wheat at the market price at the time the payment is due, or by assignment of agricultural conservation payments. Whether payments are made in cash or "in kind" all premiums are immediately invested in actual wheat and held in storage for the insurance reserve.

This "all wheat" method eliminates the price element. Crop insurance guarantees yield alone, not price. Thus, it enables crop insurance premiums to be based on the actual amount of risk involved in growing wheat on a given farm in a given county, without regard to price fluctuation.

ADMINISTRATION

The Wheat Crop Insurance Program is administered by the Federal Crop Insurance Corporation in collaboration with the Agricultural Adjustment Administration, both being agencies of the United States Department of Agriculture. Because the Wheat Crop Insurance Program should contribute materially to the general welfare of agriculture the Federal Government provides funds for administration and storage of the wheat reserve.

The crop insurance program is being administered by a corporate set-up in order to expedite the handling of loss claims. It is the policy of the Corporation to adjust losses promptly and make settlements immediately upon completion of proof of crop loss.

WHO MAY PARTICIPATE

The Wheat Crop Insurance Program is available to all individuals or agencies who have an insurable interest in a growing wheat crop. Owner-operators, tenants, sharecroppers, and landlords are eligible to insure their interest in a growing crop. The tenant can insure without the landlord; the landlord without the tenant. Each has his own contract for his own interest. The insurance is limited to the production from the allotted wheat acreage.

AIDS LAND SALES

Crop failure has been a great hazard facing would-be landowners, with a small amount of capital. Where wheat is a major crop, guaranteed yields through a crop insurance contract assure these purchasers that their down payments will be protected; and purchase of land may be entered into with a greater degree of safety to both the buyer and the seller than heretofore.

Some institutional landlords have found it possible to increase materially the sales of wheatlands through crop insurance. This has been accomplished by use of a share payment sales contract on which the annual payments are stated not in terms of dollars, but on the basis of the cash value of a percentage of the yearly gross yield of the crops in terms of bushels. Such sales contracts stipulate that the purchaser must carry a crop insurance contract every year throughout the term of the sales contract, which is assigned to the contract seller and guarantees that a minimum payment will be made despite possible crop losses. Using average yields and "loss costs" which are obtained from Federal Crop Insurance Corporation figures for each particular farm, and average prices over a base period, the contract will pay out within a certain number of years. The sale price will necessarily depend upon the productivity and earning power of the farm. Under such a contract, both parties are assured to a greater degree than heretofore possible, that the terms of the contract will be carried out. This assurance has enabled some nonvoluntary institutional owners to broaden their field of land sales to include worthy tenants and other investors who could not otherwise hope to gain land ownership. This type of sale, based on a crop insurance contract, is not a substitute for selling poor land or for encouraging poor farming practices on all types of land. However, it does guarantee liquidation of many farms at fair prices which otherwise could not be sold.

Improves Landlord-Tenant Relationships.



IMPROVES LANDLORD-TENANT RELATIONSHIPS

With assured yields it has been found that tenants are more willing and able to follow approved farm-management practices. With assured yields there is less economic pressure to devote the land entirely to cash crops.

With insured yields tenants feel there is less danger of accumulating deficiencies as a result of crop failures; that they can view their lease as a long-time proposition with the possibilities of ultimate ownership, which provides a strong incentive for improvement, rather than mining of the land. This should result in less "turn-over" in tenants, and consequent economy for landlords and tenants, and less danger of deterioration of lands.

STRENGTHENS CREDIT

Institutional landlords whose tenants are faced with poor crop conditions and restriction of credit, often are forced to advance their tenants money for seed, operating, and harvesting expenses. Such additional loans have often been jeopardized by poor crop yields and have increased the delinquency of the tenant. Crop insurance may not only reduce the need for advances of this nature, but also materially broadens the credit possibilities of the operator. The crop insurance contract is assignable to any credit agency or individual as additional security for a loan, to finance seeding, care and harvest of crops, or as security to guarantee payment of the rental. Thus, landlords can

make such advances with the certainty of payment, to the extent of the guaranteed productions, even though crops may fail. Or, if the landlord does not make a loan, the tenant may secure the needed credit from a bank or other lending agency. For the first time in history a growing wheat crop can now be regarded as a good risk from the time it is seeded, because the crop insurance contract guarantees a minimum yield, no matter what unavoidable hazards may strike the crop.

A FACTOR IN LAND VALUES

Following a series of poor crop years land values in areas of failures are generally depressed. It is thought by some economists that a successful crop insurance program will be a large factor in establishing and stabilizing fair values of wheatland and in alleviating the deflation of land prices following crop failures. Stabilization of land prices may result from the fact that the revenue of the land will be leveled off and not be completely cut off in times of crop failure, and secondly, that the premiums and insured yields provide a new and accurate measure of the long-time production of a given farm.

CAN YOU "CARRY YOUR OWN LOSSES"?

Large-scale landowners should not be misled by the theory that they can "carry their own losses" because of the large number of farms or the wide distribution of the farms that they own.

Crop records show that weather conditions are directly or indirectly responsible for 60 to 70 percent of crop failures. Climatic losses, such as drought, frequently cover several States or a group of States. Despite wide distribution of lands, the large-scale landlord may suffer severe reduction in land income as a result of a general crop failure, aside from the loss in land values due to general crop failure.

Even though large-scale landlords may be financially able to carry their own losses, or if good and bad crop years should cancel each other out as far as net return is concerned, this does not protect individual tenants or land buyers from



*Tenants with
Security do a Better
Job of Farming.*



Crop Insurance Will Help to Stabilize Land Income.



the disastrous effect of crop losses. Where a tenant or purchaser is robbed of his year's income by crop failure, a deficiency may accrue and the net result as far as this particular farm is concerned may be the expense of financing the tenant or purchaser until he has recovered from the effect of crop failure. Crop failure may cause a change of tenants or resale to a new buyer involving considerable outlay of funds and an increase in the cost of administration.

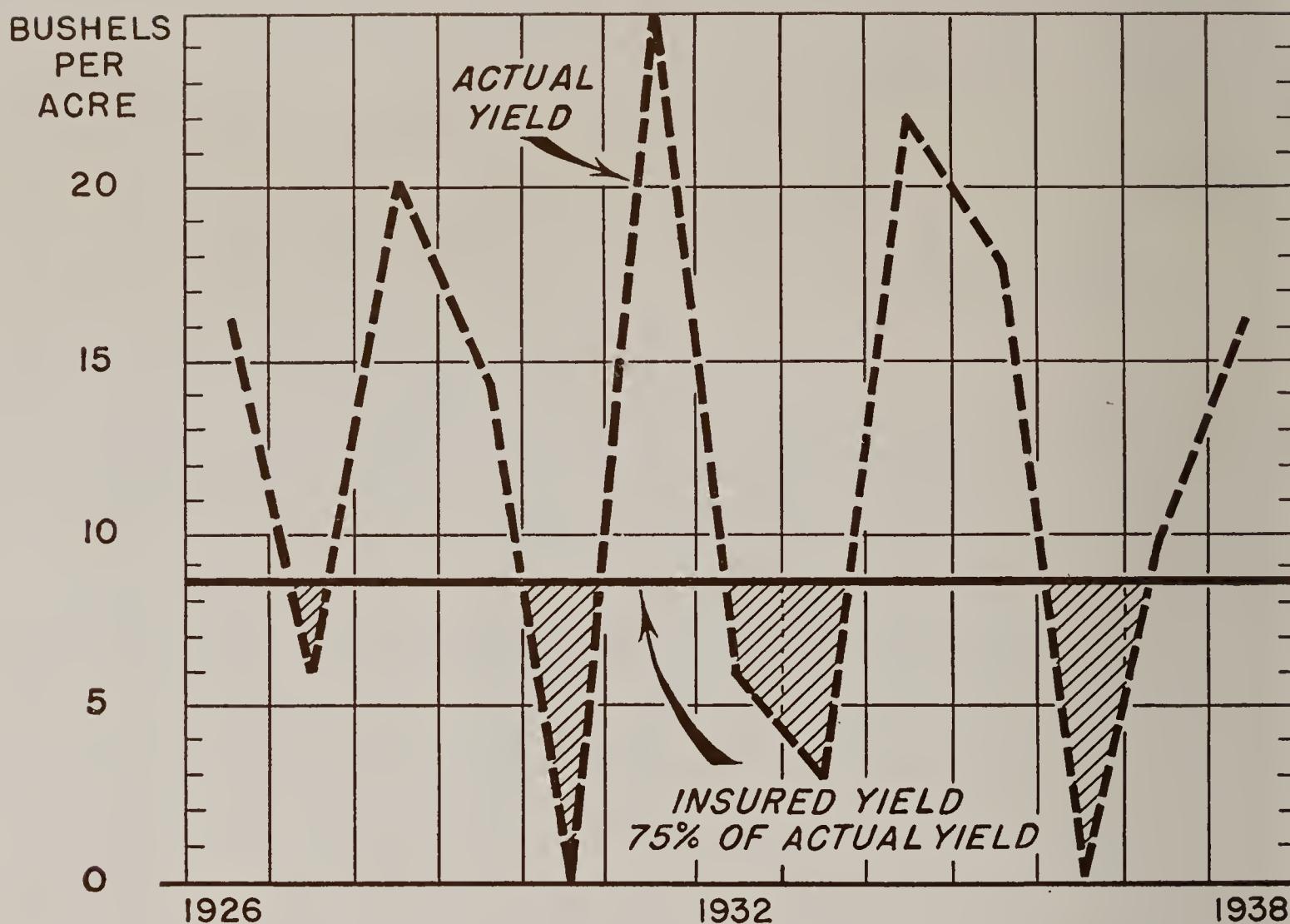
"NET COST" INSURANCE

Large-scale landlords should fully consider the fact that Federal crop insurance is "net cost" insurance. The premiums represent the actual cost of crop failure on the farm. Over a period of years premiums paid and indemnities received should approximately balance. There is no "loading" of the premiums to cover administrative costs.

PROMPT SETTLEMENT OF LOSSES

Losses to insured crops are settled immediately on receipt of statements in proof of loss. In the majority of cases handled in the 1939 program growers received indemnities within 2 weeks after the adjustment of the loss. Adjustments may be made immediately after the damage in case of total losses to the growing crop, or "substantially total losses," which make it impracticable for the grower to care further for the crop. After such losses have been appraised, the grower may use the land for other purposes. Borderline losses, which cannot be accurately appraised, or those where it is practicable for the grower to carry the crop through to harvest, will be settled at harvest time, when the actual outturn of grain can be measured.

YIELD AND LOSS RECORD OF ONE FARM



PRICE ADVANTAGE

While crop insurance does not insure price, studies indicate that continuous insurance of wheat yields may help a grower to receive a higher income over a period of years. This is due to the fact that premiums and deposits for future premiums will be paid in greatest volume in years of large crops when prices tend to be low. The greatest number of indemnities will be paid in years of general crop failure when prices tend to be higher. Thus it may be that over a 10-year period the wheat received from indemnities may be more valuable than wheat paid in as premiums. This is illustrated by Kansas studies of a typical wheat county, where insurance would have increased the value of production by \$14.66 an acre over a 20-year period (1917-36).



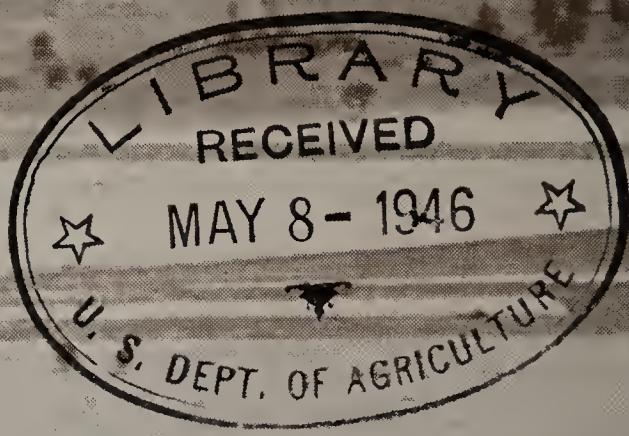
HOW TO GET CROP INSURANCE

These steps may be followed by the multiple landowner to obtain insurance:

1. Furnish each county Agricultural Adjustment Administration Committee with a list of the farms to be insured, in each respective county, giving location, legal description, total acreage, and, if possible, name of tenant, and terms of lease (cash, or crop share rental and period of lease). The list of farms for an entire State can be submitted to the State Agricultural Adjustment Administration office if desired, and the State crop insurance office will relay the list of the various counties.
2. The landowner will be notified as to the wheat-acreage allotment, the average yield, and the amount of premium required to insure either 50 or 75 percent of this yield, on each farm.
3. The landowner may prepare an application covering each farm to be insured and submit it to the Corporation. A multiple unit institution may prefer to have its field managers look after all applications in the various regions or counties. The premium for 1940 crop insurance must be paid at time the application is submitted. Applications must be filed before the crop is seeded.
4. After the applications have been accepted by the Corporation and the crop seeded, the insurance will be in force, provided the payment is in order. The acceptance of the application by the Corporation will be mailed to the address shown on the application.

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THE FEDERAL CROP INSURANCE CORPORATION
United States Department of Agriculture